STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION	)	
On Its Own Motion	)	
-vs-	)	
COMMONWEALTH EDISON COMPANY	)	**No. 99-0282**
	)	
Proceeding pursuant to Section 16-111(g) of the	)	
Public Utilities Act concerning proposed sale of	)	
fossil fuel fired generating plants.	)	

TESTIMONY OF ROBERT J. MANNING
EXECUTIVE VICE PRESIDENT AND PRESIDENT-COMPETITIVE OPERATIONS
COMMONWEALTH EDISON COMPANY

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COMMONWEALTH EDISON COMPANY

Q. What is your name?

A. Robert J. Manning.

Q. By whom are you employed?

A. Commonwealth Edison Company ("ComEd").

Q. What is your business address?

A. Ten South Dearborn Street, Chicago, Illinois.

Q. In what capacity are you employed by ComEd?

A. I am Executive Vice President and President - Competitive Operations.

Q. How long have you been employed by ComEd?

A. Since 1964.

Q. What are your duties and responsibilities as Executive Vice President and President - Competitive Operations?

A. I am responsible for oversight of all non-nuclear generation, competitive and regulated customer operations, and transmission and distribution.

Q. Please describe your education and professional background.

A. I hold a degree in Electrical Engineering from the University of Notre Dame and an M.B.A. from the University of Chicago. During my 35-year career with ComEd, I have had assignments in and/or oversight authority for various Engineering, Financial, Strategic, Environmental, Marketing and Operating Departments. Prior to being elected as Executive Vice President, I served as Executive Vice President, President - Fossil Generation Group and Senior Vice President.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to (i) provide a summary of the transaction that is the subject of this proceeding, (ii) explain why the power purchase agreements that are part of the transaction will be a reliable source of capacity and energy, (iii) explain some of the expected effects of the sale, and (iv) explain ComEd's commitment to develop capacity needed to replace the capacity represented by the generating stations if such capacity is not being built by others.

Q. Are you familiar with Notice of Property Sale ("Notice") submitted by ComEd in these proceedings?

A. Yes.

Q. Are you familiar with the transaction that is the subject of that Notice?

A. Yes.

Q. Would you provide a summary of that transaction?

A. Yes. ComEd has entered into a transaction pursuant to which it intends to sell all of its fossil-fueled generating stations, peaking facilities and related property. Initially, the property will be transferred to Unicom Investment Inc. ("UII"), a wholly-owned subsidiary of Unicom Corporation, ComEd's parent company. UII will immediately transfer the property to Edison Mission Energy or one or more of Mission's wholly-owned subsidiaries (collectively "Mission"). As a result of the sale of the generating facilities, ComEd will receive approximately $2.35 billion in cash and approximately $2.45 billion in notes from UII (which will (1) pay interest to ComEd while the notes are outstanding; and (2) pay the principal amount of each note to ComEd when such note matures). In addition, ComEd will enter into flexible power purchase agreements ("PPAs") with Mission which will provide ComEd access to the capacity and energy from the Stations for five years, and numerous other agreements. The agreements with Mission (the "Mission Agreement") and UII (the "UII Agreement") are included as exhibits A and B, respectively, to the Notice.

Q. What property will be sold?

A. All of ComEd's fossil-fueled generating stations and peaking facilities: Crawford, Fisk, Waukegan, Will County, Joliet, Powerton, Collins, Calumet, Bloom, Electric Junction, Sabrooke and Lombard (collectively, the "Stations") and certain property associated with the Stations, including land on which each station is situated and certain improvements, buildings, structures and fixtures and related property, such as inventories of fuel and other materials. The sale also includes the assignment and assumption of coal supply and transportation obligations related to the Stations. The Mission Agreement includes a complete description of the property that will be sold.

Q. Would you briefly describe the Stations?

A. Yes. The Stations consist of coal-fueled generating units which are located at the Crawford, Fisk, Waukegan, Will County, Joliet and Powerton Stations (collectively, the "Coal Stations"), the Collins Station which is dual (gas and oil)-fueled, and the peaking units that are located at the Crawford, Fisk, Waukegan, Calumet, Joliet, Bloom, Electric Junction, Sabrooke and Lombard sites (collectively, the "Peaking Units").

Q. Are you familiar with Mission?

A. Yes. Mission is an indirect, wholly-owned subsidiary of Edison International ("EIX"). EIX is also the parent company of Southern California Edison ("SCE"), one of the nation's largest electric utilities, and several other companies, including Edison Capital, a provider of infrastructure project financing. Prior to divestiture of most of its fossil-generating units pursuant to the California deregulation plan, SCE owned and operated 14,544 megawatts of capacity.

As of May 1, 1999, Mission operated 36 generating plants with aggregate capacity of 7,040 megawatts in Australia, Spain, the United Kingdom and the United States. Approximately 5,000 megawatts of this capacity are fossil-fueled generation. Further, as of May 1, 1999, Mission had additional generating units with capacity of more than 3,000 megawatts under construction or pending closing in Indonesia, Italy, Thailand, Turkey, New Zealand and Puerto Rico.

Q. Are you familiar with Mission's reputation in the industry?

A. Yes.

Q. What is Mission's reputation in the industry?

A. Mission has a reputation as being an experienced and reliable operator of fossil-fueled generating stations. Among the individuals who make-up Mission's management team are well-respected industry experts, such as Georgia Nelson, Mission's Senior Vice President and the head of its operations, who was previously with SCE, which also had a reputation as an experienced and reliable operator of fossil-fueled generating stations. Mission was among the first United States companies to become involved in foreign generation investments. Thus, it has a reasonably long track record for successfully operating generating stations built by others. Mission and SCE are both well-respected in the industry, as are the individuals who comprise their management teams.

Q. Does Mission have the experience and expertise necessary to operate the Stations in a safe and reliable manner?

A. Yes. Mission is a qualified and experienced operator of fossil-fueled generating stations. It specializes in the development, acquisition, construction, management and operation of power production facilities in the United States and around the world. In 1997 and 1998, plants operated by Mission had average availability factors that exceeded 90 percent. In 1995, an international benchmarking study identified the best-performing plants in the categories of maintenance and operation. Mission operated four of the top five plants that were recognized for superior maintenance, and all four plants that were recognized for superior operations. Accordingly, Mission has amply demonstrated its ability to run successfully fossil-fueled stations and has achieved exceptionally high station availability. In addition, Mission has amply demonstrated its ability to complete capacity addition projects.

Q. Will the transaction have an effect on ComEd's service during the summer of 1999?

A. No. The Stations will not be sold until after the summer peak season has ended. The Mission Agreement provides that, unless ComEd and Mission agree to an earlier date, the closing may not occur until September 30, 1999 or such later date on which all of the conditions to closing are satisfied. This provision was included to avoid a change of ownership and operational management during the potentially high-use peak summer period.

Q. Will the transaction adversely affect ComEd's provision of transmission, distribution or delivery services?

A. No. First, ComEd is not selling any facilities over which it provides transmission, distribution or delivery services to other customers. Second, the Facilities, Interconnection and Easement Agreements and certain of the other easement agreements (collectively, the "Facilities Agreements") assure that ComEd will have all necessary access to transmission and distribution facilities located on the property that will be sold. Third, the Facilities Agreements, which include the same type of provisions that will be included in interconnection agreements for all non-ComEd-owned generation, contain comprehensive requirements, procedures and policies which are designed to ensure that Mission's operation of the Stations will not adversely impact the ComEd system. For all of these reasons, the sale of the Stations will not adversely impact ComEd's provision of transmission, distribution or delivery services. Further, the transaction will enhance ComEd's provision of these services by providing funds to finance transmission and distribution enhancement programs. The specific programs that will be funded are described by Mr. Robert E. Berdelle (ComEd Ex. 2.0).

Q. Would you please summarize the PPAs?

A. Yes. There are three PPAs, one for the Coal Stations (the "Coal PPA"), one for the dual (gas and oil)-fueled Collins Station (the "Collins PPA") and one for the gas- and oil-fueled

Peaking Units (the "Peaker PPA"). Each of the PPAs grants ComEd the right to dispatch and receive electric energy from specified generating units. In exchange for these rights, ComEd will pay Mission a capacity charge and make certain other payments -- including a charge for each megawatthour of energy taken under the PPAs -- and will purchase a guaranteed minimum amount of energy each year from Collins and certain of the Peaking Units. The PPAs include a unique blend of committed capacity and options that allow ComEd to structure its generation portfolio to best meet its needs and its customers' requirements.

Under the Coal PPA, the committed capacity from which ComEd has a right to receive energy and for which ComEd has an obligation to pay a capacity charge (the "Contracted Capacity") declines over the term of the PPA, from approximately 90 percent of the aggregate 5,645 megawatts of capacity represented by the Stations under that PPA in the first year, to approximately 30 percent in the fourth and fifth years. The approximate percentage of capacity from the Coal Stations that is Contracted Capacity for each year is as follows:

2000	2001	2002	2003	2004
90%	80%	70%	30%	30%

(Because allocations are based on the capacity of individual generating units, the percentages are approximate. The precise units which constitute the Contracted Capacity from year-to-year, and the related megawatts, are set forth in Appendix C to the Coal PPA.)

In addition to creating rights and obligations with respect to the Contracted Capacity, the Coal PPA grants ComEd the right to elect to exercise an option for any or all of the remaining capacity provided that, in the fourth and fifth years, this right extends only to those units for which ComEd exercised such option in the prior year. The option is exercisable on an annual basis in whole-unit increments.

Under the Collins and Peaker PPAs, ComEd has the right to the full capacity of all five Collins generating units and all of the Peaking Units, respectively, for the entire five-year term of the PPAs. However, ComEd may, at its sole discretion, elect to exclude generating units from either PPA after the second year of the contract. Under each of these PPAs, ComEd will pay a monthly capacity charge and will purchase at least a specified minimum amount of energy, provided that the capacity charge and minimum purchase requirement may change if ComEd exercises its option to exclude generating units.

Q. After the sale, who will decide when the Stations will operate and the level at which they will operate?

A. With respect to capacity that is committed to ComEd, either as Contracted Capacity or option capacity, ComEd will make those decisions. ComEd is retaining its dispatch operations, which are located in Lombard, Illinois. After the sale, ComEd will use those facilities to dispatch the Stations just as it does today. Under the PPAs, ComEd has the right to dispatch all of the capacity that is committed to ComEd. This means that ComEd has the right to decide which of the Stations will operate at any given time and the level at which they will operate to serve ComEd's needs. Of course, if a Station is declared to be "unavailable" by Mission, ComEd cannot call upon that Station. However, that is not different from what happens today; if a Stations is down for an outage and is inoperable, it cannot be dispatched. Moreover, as I discuss later in my testimony, the PPAs provide significant economic incentives for Mission to ensure that unplanned outages are as infrequent and short as possible and also prohibit Mission from selling energy from a Station to any other entity if that Station is declared unavailable to ComEd. In addition, the PPAs impose strict operational requirements on Mission which are intended to ensure that the Stations are operated in a manner that meets ComEd's needs. For example, the Peaker PPA requires that Peaking Units be on-line within as little as ten minutes from the time that they are dispatched by ComEd. In short, the PPAs contain provisions and requirements which are intended to ensure that ComEd can maintain reliability at at least the same level as it does today and provides the potential that it can be increased.

Q. Will the PPAs be a reliable source of capacity, energy and ancillary services for ComEd?

A. Yes. Mission's experience and expertise, which I have previously discussed, together with the requirement that Mission offer employment to ComEd employees who are already familiar with the operation of the Stations and the requirements and incentives set forth in the PPAs provide substantial assurances that the PPAs will be a reliable and dependable source of capacity, energy and ancillary services.

Q. What is the requirement that Mission offer employment to ComEd employees who are already familiar with the operation of the Stations?

A. The Mission Agreement requires Mission to extend offers of employment to a sufficient number of non-supervisory employees to operate and maintain the property, including the Stations, transferred to Mission and:

a. offer those non-supervisory employees no less than the wage rates, and substantially equivalent fringe benefits and terms and conditions of employment, as are in effect at the time of the closing;

b. continue such wages and benefits for up to thirty months following the closing;

c. credit those non-supervisory employees for prior service with ComEd for eligibility and vesting purposes and waiver of waiting periods and restrictions regarding pre-existing conditions for health plans;

d. recognize Local 15 as the exclusive bargaining agent for those employees who accept Mission's offer of employment and who are represented by such union; and

e. assume the collective bargaining agreement in effect at closing.

Q. Are you familiar with ComEd's employees who work at and are already familiar with operation of the Stations?

A. Yes, I am familiar with those employees.

Q. Based on your familiarity with those employees, is it likely that a sufficient number of those employees will accept offers of employment, which contain the terms and provisions you have just outlined, to provide continuity of operation of the Stations?

A. Yes.

Q. Can you provide examples of requirements and incentives in the PPAs that will aid in ensuring that the PPAs are a safe and reliable source of capacity, energy and ancillary services?

A. Yes. There are many such obligations and economic incentives contained in the PPAs. For example, Mission has the obligation to maintain the Stations so as to ensure that the aggregate net dependable capacity of the generating units committed to ComEd equals or exceeds: 5,645 megawatts for the Coal Stations, 2,698 megawatts for the Collins Stations, and 943.6 megawatts for the Peaking Units. The capacity payments due under the PPAs will decline, or not be paid at all in a given month, if Mission fails to meet the high availability requirements set forth in the PPAs. The capacity payments due under the PPAs are significantly higher in the summer peak period -- e.g., eight times as high in the summer months versus the nonsummer months under the Coal PPA. Thus, failure to meet availability targets in the summer will be substantially more costly to Mission than it would be in nonsummer months, thereby creating a significant incentive for Mission to ensure that the Stations are available during the summer months when their capacity will be needed the most. If, on the other hand, Mission achieves exceptionally high availability, capacity payments will be adjusted upward. Again, because the capacity payments are greater in the summer months, the resulting upward adjustment would be greater in the summer, providing yet additional incentives for Mission to ensure that the units are available during the season when they are needed the most. The precise amounts and formulae are set forth in the PPAs.

The PPAs also provide incentives for Mission to keep the Stations in good repair and to maintain high availability by allowing Mission, at times when ComEd is not taking all of the energy from a Station, to sell excess energy into the market and thus generate additional revenues for itself. However, to ensure that such sales do not interfere with ComEd's needs, the terms of such sales are subject to certain limitations under the PPAs. For example, if a coal-fired generating unit is dispatched by ComEd but ComEd is not taking the full amount of energy that the unit can produce, Mission may sell the excess energy from the unit into the market, but such sales may be made only on a ten-minute interruptible basis, i.e., Mission must be able to curtail or discontinue selling the energy within ten minutes of notice from ComEd to do so.

The PPAs also ensure that outages at the Stations are scheduled in a manner consistent with the provision of safe and reliable service to ComEd's customers. The PPAs require that Mission provide ComEd with a schedule of planned outages for three-year rolling periods. The PPAs prohibit planned outages during the summer months and grant ComEd the right to require Mission to make changes to the outage schedule to minimize system reliability risks throughout the year.

The PPAs require that Mission operate the Stations in accordance with: (a) the applicable practices, requirements, standards and criteria of the Mid-America Interconnected Network ("MAIN"), the North American Electric Reliability Council ("NERC") and successor organizations and any responsible independent system operator; (b) accepted utility practices; and (c) all applicable laws, ordinances, rules and regulations. Mission will be responsible for the coordination and synchronization of the Stations' equipment with the ComEd transmission system, and will also be liable for any damage that occurs as a result of improper coordination or synchronization of such equipment.

Q. Will adherence to the operational standards and requirements as set forth in the Mission Agreement preserve the integrity of ComEd's system and the interconnected systems in MAIN?

A. Yes. These requirements are adequate to ensure that the operation of the Stations will be consistent with maintaining the integrity and reliability of ComEd's system and the interconnected systems in MAIN.

Q. Does ComEd expect that the sale of the Stations will have any impact on the generation market in Illinois?

A. Yes. The sale of the Stations will provide a strong, definitive signal that Illinois is restructuring the power generation business in a manner consistent with the General Assembly's intent and that the Illinois generation market is truly open to competition. This will encourage others to build capacity in Illinois. Investors are more likely to invest in generation where meaningful competition with the incumbent is more assured.

In addition, a portion of the Coal PPA was specifically designed to encourage other entities to provide capacity and energy in the region by providing economic incentives for ComEd to lessen its dependence on the Stations for needed capacity. Both the capacity and energy charges for the option capacity ("Reserved Option Capacity") are higher than the corresponding charges for Contracted Capacity and are priced significantly above what

ComEd believes will be the capacity and energy charges prevailing in the market. This pricing differential was established primarily to give alternate suppliers an incentive to enter the Illinois market, i.e., if ComEd needs the capacity, it will have an incentive to buy it from a lower-cost provider rather than exercise its option under the Coal PPA.

Finally, Dr. William J. Baumol, a world-renowned economist, has studied the sale of the Stations and has determined that the sale will in fact increase competition in the generation market. Dr. Baumol discusses the results of his analysis in ComEd Exhibit 4.0.

Q. What if ComEd does need to replace the capacity of the Stations and that capacity cannot be purchased on the market?

A. If sufficient capacity is not being built in Illinois and ComEd is unable to replace the capacity of the Stations from other sources to meet its service obligations, ComEd will ensure that the needed capacity is built. ComEd owns a number of sites suitable for generating stations including the site of its retired Ridgeland Station and land that it will retain adjacent to the Waukegan Station. ComEd will continue to assess its need for, and access to, capacity and energy on an on-going basis, just as it has done historically. Although ComEd does not currently anticipate a need to invest in any capacity, much less a need to construct facilities to replace all of the capacity represented by the Stations, if a need arises to replace capacity represented by the Stations, ComEd will develop the needed capacity itself on the aforementioned sites or other appropriate sites.

Q. Will the sale of the Stations have any impact on ComEd's existing generation, other than the Stations?

A. Yes. The sale will provide funds to finance projects that will enhance ComEd's nuclear operations, thereby further ensuring that reliability will be maintained or increased. The specific projects that will be financed are discussed by Mr. Berdelle (ComEd Ex. 2.0).

Q. Does this conclude your testimony?

A. Yes.